



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

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DAVID E. JANSSEN
Chief Administrative Officer

August 10, 2004

Board of Supervisors
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First District

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Fifth District

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**APPROVAL OF ASSIGNMENT AND DELEGATION AGREEMENT - WORKERS'
COMPENSATION MEDICAL AND DISABILITY MANAGEMENT AND COST
CONTAINMENT SERVICES CONTRACT - (3 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

Approve, and instruct the Chairman to sign, the attached Assignment and Delegation Agreement which delegates and assigns all rights, obligations, and interest of Contract No. 74626 with Diversified HealthCare Services, Inc. (DHS) to Fair Isaac Corporation, Inc. (Fair Isaac).

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

On October 8, 2003, your Board approved the Workers' Compensation Medical and Disability Management and Cost Containment Services contract with DHS. These cost containment services are necessary to reduce workers' compensation medical charges to the California Official Medical Fee Schedule, achieve additional reductions by accessing Preferred Provider Organizations' networks and assure injured County employees receive timely, quality and economical care. Prior to the award of the contract, DHS informed the Chief Administrative Office (CAO) that DHS was entering into a merger with Fair Isaac, but DHS would continue operating as an independent, legal entity.

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On May 13, 2004, Fair Isaac informed the County of Los Angeles (County) that, pursuant to the merger transaction, Fair Isaac would be absorbing DHS operations and requested that the DHS contract for cost containment services be assigned to Fair Isaac, under Sub-section 8.1 of the contract. In order to confirm that Fair Isaac possesses financial capability to successfully execute the contracted services, the CAO requested that the Auditor-Controller review Fair Isaac's audited financial statements for the years ended September 30, 2002 and September 30, 2003. Based upon their review, the Auditor-Controller has determined Fair Isaac's financial condition to be "Good to Excellent." Accordingly, the CAO recommends that the Board approve this Delegation and Assignment to Fair Isaac. The current contract with Diversified expires on November 6, 2006, with two additional one-year extension periods.

Approval of this Delegation and Assignment will enable the CAO to continue to provide cost containment services to the County workers' compensation third party administrators and injured workers.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The medical and disability management services provided by the contractor promotes and furthers the Board-approved Strategic Plan goals of Workforce Excellence, Organizational Effectiveness, and Fiscal Responsibility by facilitating the CAO's goal of establishing a risk management process emphasizing effective loss prevention, cost containment, and claims management.

FISCAL IMPACT/FINANCING

The cost for medical and disability management services will continue to be paid from the Workers' Compensation Trust Fund. There is no increase in the current fees due to the Delegation and Assignment to Fair Isaac.

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FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The contractor is in compliance with all Board and CAO requirements. County Counsel has reviewed and approved the Assignment and Delegation Agreement as to form. The County may terminate the agreement if sufficient funds are not available.

Living Wage Program requirements do not apply to this non-Proposition A contract.

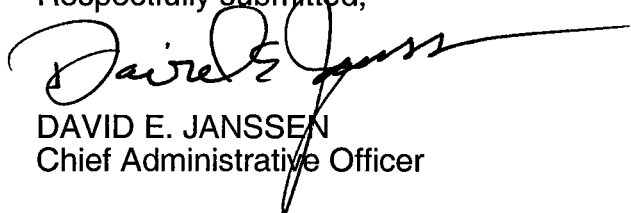
IMPACT ON CURRENT SERVICES (OR PROJECTS)

None; approval of this Assignment and Delegation Agreement provides for the continuation of existing services.

CONCLUSION

Please sign the attached Assignment and Delegation Agreement and return two original copies to the CAO Risk Management Branch, attention Rocky Armfield, County Risk Manager.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "David E. Janssen", with a long horizontal flourish extending to the right.

DAVID E. JANSSEN
Chief Administrative Officer

DEJ:RAA
DU:AMR

Attachment

c: County Counsel
Auditor-Controller

Contract No. 74626

ASSIGNMENT AND DELEGATION AGREEMENT
WORKERS' COMPENSATION MEDICAL AND DISABILITY
MANAGEMENT AND COST CONTAINMENT SERVICES

THIS ASSIGNMENT AND DELEGATION AGREEMENT is made and entered into this ____ day of _____, 2004, by and between the County of Los Angeles ("COUNTY"), Diversified HealthCare Services, Inc. ("DHS"), and Fair Isaac Corporation ("FAIR ISAAC").

WHEREAS, DHS provides cost containment services to COUNTY pursuant to a Disability Management and Cost Containment Services Agreement with COUNTY (Contract No. 74626), which was entered into on October 8, 2003 and incorporated herein by reference (hereafter referred to as "Agreement");

WHEREAS, DHS desires to delegate and assign all its rights, obligations and interest under the Agreement to FAIR ISAAC and FAIR ISAAC desires to assume these rights, obligations and interest in said Agreement;

WHEREAS, DHS and FAIR ISAAC represent that they have the consent, power, and authority to assign and transfer all rights, obligations and interest contained in said Agreement;

WHEREAS, DHS and FAIR ISAAC have asked COUNTY to consent to the assignment and delegation of all rights, obligations and interest under said Agreement;

WHEREAS, under the terms of the Agreement, a written assignment and delegation of the Agreement must be approved by the COUNTY;

WHEREAS, the COUNTY has reviewed the financial statements and other documents of FAIR ISAAC and finds that FAIR ISAAC is a responsible corporate entity capable to carrying out the cost containment services in the Agreement;

NOW, THEREFORE, COUNTY, DHS and FAIR ISAAC agree as follows:

(1) All rights, obligations, and interest in said Agreement for cost containment services between DHS and COUNTY shall be assigned and delegated to FAIR ISAAC.

(2) FAIR ISAAC assumes and receives from DHS all rights, obligations, and interest of DHS in said Agreement for cost containment services.

(3) FAIR ISAAC agrees to abide by all terms and conditions of said Agreement for cost containment services between DHS and COUNTY.

(4) DHS and FAIR ISAAC agree that COUNTY shall not pay any additional monies for the provision of cost containment services by either DHS or FAIR ISAAC as a result of this assignment agreement that would have been owed under the Agreement in the absence of this assignment agreement.

(5) DHS and FAIR ISAAC shall indemnify, defend, and save harmless COUNTY and their agents, officers and employees from and against any and all liability expense, including defense costs and legal fees, and claims for damages of any nature whatsoever in connection with any claim of any third party with regard to any fee to be paid to DHS or FAIR ISAAC pursuant to this assignment agreement.

(6) DHS and FAIR ISAAC shall indemnify, defend, and save harmless COUNTY, its agents, officers and employees from and against any and all liability expense, including defense costs and legal fees, and claims for damages of any nature whatsoever in connection with any dispute between DHS and FAIR ISAAC regarding payment of monies for cost containment services to either DHS or FAIR ISAAC pursuant to this assignment agreement.

(7) COUNTY consents to this assignment of rights, obligations, and interest of DHS in said Agreement to FAIR ISAAC pursuant to this assignment agreement.

(8) The Agreement for cost containment services between DHS and COUNTY are incorporated as a part of this assignment agreement.

(9) This assignment agreement shall constitute the complete and exclusive statement of understanding between COUNTY, DHS, and FAIR ISAAC and supersedes all previous written or oral agreements, and all prior communications between COUNTY, DHS, and FAIR ISAAC relating to the subject matter of this assignment agreement.

(10) This assignment agreement shall be construed as if prepared by all parties.

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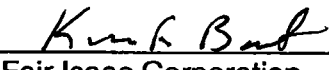
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COUNTY, DHS, and FAIR ISAAC, by mutual subscription, agree to this Assignment and Delegation.

By 
Diversified HealthCare Services, Inc.

7/14/04
Date

RUSS CLARK
Vice President, Finance
Corporate Controller

By 
Fair Isaac Corporation.

July 13, 2004
Date

Keven Baxter
Vice President
Legal Intellectual Property

By _____
County of Los Angeles
Chairperson, Board of Supervisors

Date



ATTEST:

Violet Varona-Lukens
Executive Officer-Clerk
of the Board of Supervisors

By _____
Deputy

Date

APPROVED AS TO FORM:

PATRICK A. WU
ASSISTANT COUNTY COUNSEL

By 

7/20/04
Date

7/7/04

g/Medical and Disability Management/Assignment and Delegation – Fair Isaac – DHSv.2